

ANDREW COMMUNITY SCHOOL DISTRICT

INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS

JUNE 30, 2006

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Andrew Community School District

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Board of Education (Before September 2005 election)		
Charles Cornelius	President	2006
Charles Schwager	Vice President	2005
M. Joell Deppe	Board Member	2005
Kevin Kilburg	Board Member	2007
Allan W. Till	Board Member	2007

Board of Education (After September 2005 election)		
Charles Schwager	President	2008
Charles Cornelius	Vice President	2006
Kevin Kilburg	Board Member	2007
Allan W. Till	Board Member	2007
M. Joell Deppe	Board Member	2008

School Officials		
Kent Hammer	Superintendent	2006
Ruth Hingtgen	District Secretary/ Treasurer	2006
Lane and Waterman	Attorney	2006

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Certified Public Accountants
(a professional corporation)
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INDEPENDENT AUDITOR'S REPORT

To the Board of Education of the
Andrew Community School District:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Andrew Community School District, Andrew Iowa, as of and for the year ended June 30, 2006, which collectively comprise the District's basic financial statements listed in the table of contents. These financial statements are the responsibility of District officials. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the Andrew Community School District at June 30, 2006, and the respective changes in financial position and cash flows, where applicable, for the year ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our reports dated September 8, 2006 on our consideration of the Andrew Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 4 through 12 and 32 through 33 are not required parts of the basic financial statements, but are supplementary

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information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Andrew Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for three years ended June 30, 2005 (which are not presented herein) and expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 4 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.


NOLTE, CORNMAN & JOHNSON, P.C.

September 8, 2006

MANAGEMENT'S DISCUSSION AND ANALYSIS

Andrew Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2006. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2006 FINANCIAL HIGHLIGHTS

- General Fund revenues increased from \$2,673,799 in fiscal 2005 to \$2,734,851 in fiscal 2006, while General Fund expenditures and transfers out decreased from \$2,940,086 in fiscal 2005 to \$2,795,760 in fiscal 2006. This resulted in a decrease in the District's General Fund deficit balance of \$21,792 in fiscal 2005 to a deficit balance of \$82,701 in fiscal 2006, a 279.50% decrease from the prior year.
- The increase in General Fund revenues was attributable to an increase in local tax and state grant revenue in fiscal 2006. The decrease in expenditures was due primarily to a decrease in the instruction function expenditures. One reason the General Fund balance decreased is because the increase in revenues was not enough to cover the expenditures.
- An increase in interest rates during the past fiscal year and an increase in revenue received resulted in interest earnings in the General Fund to increase from \$11,450 in fiscal year 2005 to \$28,047 in fiscal year 2006.

USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the District's financial activities.

The Government-wide Financial Statements consist of a Statement of Net Assets and a Statement of Activities. These provide information about the activities of Andrew Community School District as a whole and present an overall view of the District's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report Andrew Community School District's operations in more detail than the government-wide statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which Andrew Community School District acts solely as an agent or custodial for the benefit of those outside of the School District.

Notes to the financial statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the District's budget for the year.

Other Supplementary Information provides detailed information about the nonmajor funds.

Figure A-1 shows how the various parts of this annual report are arranged and relate to one another.

Figure A-1
Andrew Community School District Annual Financial Report

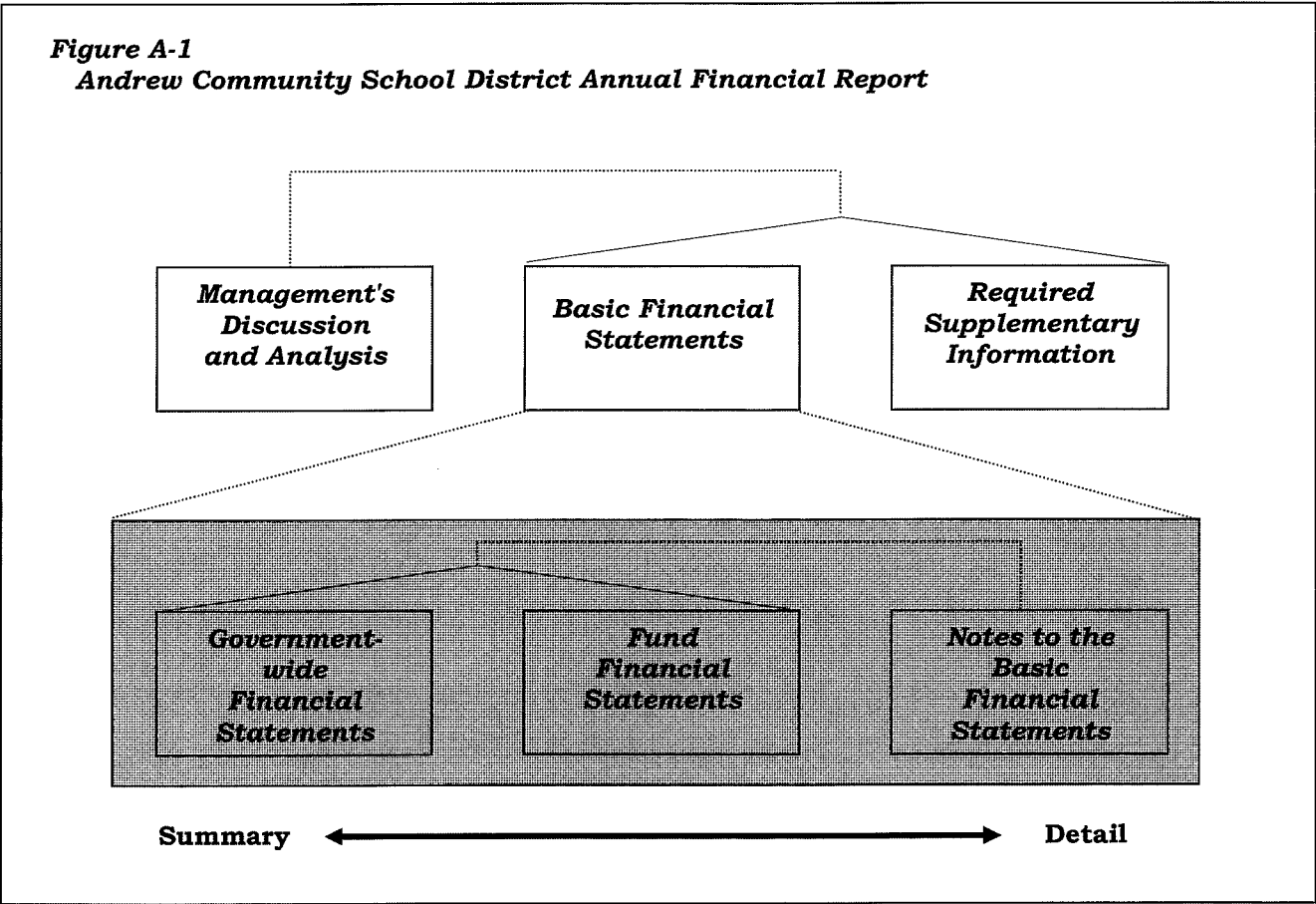


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

Figure A-2 Major Features of the Government-wide and Fund Financial Statements			
	District-wide Statements	Fund Statements	
		Governmental Funds	Proprietary Funds
Scope	Entire district (except fiduciary funds)	The activities of the district that are not proprietary or fiduciary, such as special education and building maintenance	Activities the district operates similar to private businesses: food services and adult education
Required financial statements	<ul style="list-style-type: none"> • Statement of net assets • Statement of activities 	<ul style="list-style-type: none"> • Balance sheet • Statement of revenues, expenditures, and changes in fund balances 	<ul style="list-style-type: none"> • Statement of Net Assets • Statement of revenues, expenses and changes in net assets • Statement of cash flows
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, and short-term and long-term
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid

REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

The government-wide financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Assets includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities, regardless of when cash is received or paid.

The two government-wide financial statements report the District's net assets and how they have changed. Net assets – the difference between the District's assets and liabilities – are one way to measure the District's financial health or position. Over time, increases or decreases in the District's net assets are an indicator of whether financial position is improving or deteriorating. To assess the District's overall health, additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities, need to be considered.

In the government-wide financial statements, the District's activities are divided into two categories:

- *Governmental activities:* Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property tax and state aid finance most of these activities.
- *Business-type activities:* The District charges fees to help cover the costs of certain services it provides. The District's school nutrition program is included here.

Fund Financial Statements

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds – not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs.

Some funds are required by state law and by bond covenants. The District establishes other funds to control and manage money for particular purposes, such as accounting for student activity funds or to show that it is properly using certain revenues such as federal grants.

The District has two kinds of funds:

- 1) *Governmental funds:* Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs.

The District's governmental funds include the General Fund, Special Revenue Funds, and Capital Projects Fund.

The required financial statements for the governmental funds include a balance sheet and a statement of revenues, expenditures and changes in fund balances.

- 2) *Proprietary funds:* Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide financial statements. The District's enterprise funds, one type of proprietary fund, are the same as its business-type activities, but provide more detail and additional information, such as cash flows. The District currently has one enterprise fund, the School Nutrition Fund. The District's internal service fund, one type of proprietary fund, is the same as the governmental activities, but provides more detail and additional information such as cash flows. The District currently has one internal service fund, the Health Insurance Fund.

The required financial statements for the proprietary funds include a statement of revenues, expenses and changes in net assets and a statement of cash flows.

Reconciliations between the government-wide financial statements and the fund financial statements follow the fund financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's net assets at June 30, 2006 compared to June 30, 2005.

Figure A-3
Condensed Statement of Net Assets

	Governmental Activities		Business-type Activities		Total School District		Total Change
	2006	2005	2006	2005	2006	2005	2005-06
Current and other assets	\$ 2,394,919	2,395,378	5,064	5,233	2,399,983	2,400,611	-0.03%
Capital assets	495,105	402,323	55,966	61,636	551,071	463,959	18.78%
Total assets	2,890,024	2,797,701	61,030	66,869	2,951,054	2,864,570	3.02%
Other liabilities	1,930,845	1,961,582	1,769	2,044	1,932,614	1,963,626	-1.58%
Total liabilities	1,930,845	1,961,582	1,769	2,044	1,932,614	1,963,626	-1.58%
Net assets:							
Investment in capital assets, net of related debt	495,105	402,323	55,966	61,636	551,071	463,959	18.78%
Restricted	249,672	236,245	0	0	249,672	236,245	5.68%
Unrestricted	214,402	197,551	3,295	3,189	217,697	200,740	8.45%
Total net assets	\$ 959,179	836,119	59,261	64,825	1,018,440	900,944	13.04%

The District's combined net assets increased by 13.04%, or \$117,496, over the prior year. The largest portion of the District's net assets is the invested in capital assets less the related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets.

Restricted net assets represent resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net assets increased \$13,427, or 5.68% over the prior year. The increase was primarily a result of an increase in the Capital Projects fund balance.

Unrestricted net assets – the part of net assets that can be used to finance day –to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – increased \$16,957, or 8.45%. This increase in unrestricted net assets was a result of the increase in Internal Service Fund net assets.

Figure A-4 shows the changes in net assets for the year ended June 30, 2006 compared to June 30, 2005.

Figure A-4 Changes of Net Assets							
	Governmental Activities		Business-type Activities		Total School District		Total Change
	2006	2005	2006	2005	2006	2005	2005-06
Revenues and Transfers:							
Program revenues:							
Charges for services	\$ 327,436	303,873	62,119	66,866	389,555	370,739	5.08%
Operating grants and contributions and restricted interest	319,548	324,248	51,794	44,427	371,342	368,675	0.72%
Capital grants and contributions and restricted interest	770	0	0	0	770	0	100.00%
General revenues:							
Local tax	989,752	962,779	0	0	989,752	962,779	2.80%
Local option sales and services tax	170,919	140,135	0	0	170,919	140,135	21.97%
Unrestricted state grants	1,275,967	1,264,519	0	0	1,275,967	1,264,519	0.91%
Unrestricted investment earnings	34,151	11,450	42	42	34,193	11,492	197.54%
Other general revenues	17,920	0	0	0	17,920	0	100.00%
Transfers	(5,788)	0	5,788	0	0	0	0.00%
Total revenues and transfers	3,130,675	3,007,004	119,743	111,335	3,250,418	3,118,339	4.24%
Program expenses:							
Governmental activities:							
Instructional	2,001,528	2,095,974	0	0	2,001,528	2,095,974	-4.51%
Support services	803,431	769,051	0	0	803,431	769,051	4.47%
Non-instructional programs	1,650	13,744	125,307	117,321	126,957	131,065	-3.13%
Other expenses	201,006	310,881	0	0	201,006	310,881	-35.34%
Total expenses	3,007,615	3,189,650	125,307	117,321	3,132,922	3,306,971	-5.26%
Change in net assets before capital contributions	123,060	(182,646)	(5,564)	(5,986)	117,496	(188,632)	162.29%
Capital contributions	0	0	0	66,214	0	66,214	-100.00%
Change in net assets	123,060	(182,646)	(5,564)	60,228	117,496	(122,418)	195.98%
Beginning net assets	836,119	1,018,765	64,825	4,597	900,944	1,023,362	-11.96%
Ending net assets	\$ 959,179	836,119	59,261	64,825	1,018,440	900,944	13.04%

In fiscal 2006, property tax, local option sales and services tax and unrestricted state grants account for 77.69% of the revenue and transfers from governmental activities while charges for service and sales and operating grants and contributions account for 95.13% of the revenue and transfers from business-type activities.

The District's total revenues were \$3,250,418 of which \$3,136,463 was for governmental activities and \$113,955 was for business-type activities.

As shown in Figure A-4, the District as a whole experienced a 4.24% increase in revenues and a 5.26% decrease in expenses. Local tax increased by \$26,973 to fund expenditures. The decreases in expenses were related to decreases in instruction function.

Governmental Activities

Revenues and transfers for governmental activities were \$3,130,675 and expenses were \$3,007,615.

The following table presents the total and net cost of the District's major governmental activities: instruction, support services, non-instructional programs and other expenses.

Figure A-5
Total and Net Cost of Governmental Activities

	Total Cost of Services			Net Cost of Services		
	2006	2005	Change 2005-06	2006	2005	Change 2005-06
Instruction	\$ 2,001,528	2,095,974	-4.51%	1,453,522	1,570,960	-7.48%
Support services	803,431	769,051	4.47%	802,853	763,639	5.14%
Non-instructional programs	1,650	13,744	-87.99%	1,650	13,744	-87.99%
Other expenses	201,006	310,881	-35.34%	101,836	213,186	-52.23%
Totals	\$ 3,007,615	3,189,650	-5.71%	2,359,861	2,561,529	-7.87%

- The cost financed by users of the District's programs was \$327,436.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$320,318.
- The net cost of governmental activities was financed with \$989,752 in local tax, \$170,919 in local option sales and services tax, \$1,275,967 in unrestricted state grants, \$34,151 in unrestricted investment earnings and \$17,920 in other general revenues.

Business-Type Activities

Revenues and transfers of the District's business-type activities were \$119,743 and expenses were \$125,307. The District's business-type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

INDIVIDUAL FUND ANALYSIS

As previously noted, the Andrew Community School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported combined fund balance of \$165,969, below last year's ending fund balances of a \$213,300. However, the primary reason for the decrease in combined fund balances in fiscal 2006 is due to the decrease in the General Fund balance.

Governmental Fund Highlights

- The District's deteriorating General Fund financial position is the product of many factors. Growth during the year in local tax and state grants resulted in an increase in revenues. However, the increase in revenues was more than offset by the District's expenditures requiring the District to use carryover fund balance to meet its financial obligations during the year.

- The Capital Projects Fund balance increased from \$85,706 at June 30, 2005 to \$105,878 at June 30, 2006. This increase was due in part to increase local option sales and services tax received during the fiscal year.

Proprietary Fund Highlights

- The School Nutrition Fund net assets decreased from \$64,825 at June 30, 2005 to \$59,261 at June 30, 2006, representing a decrease of 8.58%.

BUDGETARY HIGHLIGHTS

The District's receipts were \$99,666 more than budgeted receipts, a variance of 3.17%. The most significant variance resulted from the District receiving more in local sources than originally anticipated.

Total expenditures were less than budgeted, primarily to the District's budget for the General Fund. It is the District's practice to budget expenditures at the maximum authorized spending authority for the General Fund. The District then manages or controls General Fund spending through its line-item budget. As a result, the District's certified budget should always exceed actual expenditures for the year.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2006, the District had invested \$551,071, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) This amount represents a net increase of 18.78% from last year. More detailed information about capital assets is available in Note 5 to the financial statements. Depreciation expense for the year was \$116,930.

The original cost of the District's capital assets was \$2,775,142. Governmental funds account for \$2,688,045 with the remainder of \$87,097 in the Proprietary, School Nutrition Fund.

The largest change in capital asset activity during the year occurred in the buildings category. The District's buildings totaled \$225,662 at June 30, 2005, compared to \$284,872 reported at June 30, 2006. This increase resulted from the completion of various improvement projects during the year.

Figure A-6
Capital Assets, Net of Depreciation

	Governmental Activities		Business-type Activities		Total School District		Total Change
	2006	2005	2006	2005	2006	2005	2005-06
Land	\$ 7,201	7,201	0	0	7,201	7,201	0.00%
Buildings	284,872	225,662	0	0	284,872	225,662	26.24%
Land improvements	27,070	30,668	0	0	27,070	30,668	-11.73%
Machinery and equipment	175,962	138,792	55,966	61,636	231,928	200,428	15.72%
Total	\$ 495,105	402,323	55,966	61,636	551,071	463,959	18.78%

Long Term Debt

At June 30, 2006, the District has no long term debt.

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

At the time these financial statements were prepared and audited, the District was aware of this existing circumstance that could significantly affect its financial health in the future:

- A projected 20% decrease in enrollment over the next five years will mean a decrease or stagnant revenue stream from the state. The District is currently developing a long range plan to address this situation.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Ruth Hingtgen, District Treasurer, Andrew Community School District, 13 S. Marion St, P.O. Box 230, Andrew, Iowa, 52030.

BASIC FINANCIAL STATEMENTS

ANDREW COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
JUNE 30, 2006

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents:			
ISCAP(Note 4)	\$ 648,119	0	648,119
Other	644,634	3,490	648,124
Receivables			
Property tax:			
Delinquent	17,381	0	17,381
Succeeding year	927,311	0	927,311
Income surtax	105,596	0	105,596
Accounts	953	0	953
Accrued ISCAP interest(Note 4)	4,387	0	4,387
Due from other governments	46,538	0	46,538
Inventories	0	1,574	1,574
Capital assets, net of accumulated depreciation(Note 5)	495,105	55,966	551,071
TOTAL ASSETS	2,890,024	61,030	2,951,054
LIABILITIES			
Accounts payable	107,560	0	107,560
Salaries and benefits payable	214,906	0	214,906
ISCAP warrants payable(Note 4)	648,000	0	648,000
ISCAP accrued interest payable(Note 4)	3,796	0	3,796
ISCAP unamortized premium	4,646	0	4,646
Deferred revenue:			
Succeeding year property tax	927,311	0	927,311
Unearned revenue	0	1,769	1,769
Incurred but not reported claims	24,626	0	24,626
TOTAL LIABILITIES	1,930,845	1,769	1,932,614
NET ASSETS			
Investment in capital assets, net of related debt	495,105	55,966	551,071
Restricted for:			
Salary improvement program	614	0	614
Additional teacher contract day	1	0	1
Additional salary, professional development	3	0	3
Talented and gifted	248	0	248
Phase III	136	0	136
Capital projects	105,878	0	105,878
Management levy	63,436	0	63,436
Physical plant and equipment levy	59,821	0	59,821
Other special revenue purposes	19,535	0	19,535
Unrestricted	214,402	3,295	217,697
TOTAL NET ASSETS	\$ 959,179	59,261	1,018,440

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

ANDREW COMMUNITY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2006

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest	Governmental Activities	Business-Type Activities	Total
Governmental activities:							
Instruction:							
Regular instruction	\$ 1,266,893	186,589	203,965	0	(876,339)	0	(876,339)
Special instruction	436,452	1,188	16,934	0	(418,330)	0	(418,330)
Other instruction	298,183	139,330	0	0	(158,853)	0	(158,853)
	2,001,528	327,107	220,899	0	(1,453,522)	0	(1,453,522)
Support services:							
Student services	50,576	0	0	0	(50,576)	0	(50,576)
Instructional staff services	57,744	0	0	0	(57,744)	0	(57,744)
Adminstration services	344,225	0	0	0	(344,225)	0	(344,225)
Operation and maintenance of plant services	166,268	0	0	0	(166,268)	0	(166,268)
Transportation services	184,618	329	249	0	(184,040)	0	(184,040)
	803,431	329	249	0	(802,853)	0	(802,853)
Non-instructional programs:							
Food service operations	1,650	0	0	0	(1,650)		(1,650)
Other expenditures:							
Facilities acquisitions	76,245	0	0	770	(75,475)	0	(75,475)
AEA flowthrough	98,400	0	98,400	0	0	0	0
Depreciation(unallocated)*	26,361	0	0	0	(26,361)	0	(26,361)
	201,006	0	98,400	770	(101,836)	0	(101,836)
Total governmental activities	3,007,615	327,436	319,548	770	(2,359,861)	0	(2,359,861)
Business-Type activities:							
Non-instructional programs:							
Nutrition services	125,307	62,119	51,794	0	0	(11,394)	(11,394)
Total business-type activities	125,307	62,119	51,794	0	0	(11,394)	(11,394)
Total	\$ 3,132,922	389,555	371,342	770	(2,359,861)	(11,394)	(2,371,255)
General Revenues and Transfers:							
General Revenues:							
Local tax for:							
General purposes					\$ 941,080	0	941,080
Capital outlay					48,672	0	48,672
Local option sales and services					170,919	0	170,919
Unrestricted state grants					1,275,967	0	1,275,967
Unrestricted investment earnings					34,151	42	34,193
Other general revenue					17,920	0	17,920
Transfers					(5,788)	5,788	0
Total general revenues and transfers					2,482,921	5,830	2,488,751
Changes in net assets					123,060	(5,564)	117,496
Net assets beginning of year					836,119	64,825	900,944
Net assets end of year					\$ 959,179	59,261	1,018,440

* This amount excludes the depreciation that is included in the direct expense of various programs.

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

ANDREW COMMUNITY SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2006

	General	Capital Projects	Nonmajor Special Revenue Funds	Total
ASSETS				
Cash and pooled investments:				
ISCAP(Note 4)	\$ 648,119	0	0	648,119
Other	199,374	87,015	141,110	427,499
Receivables:				
Property tax:				
Delinquent	15,699	0	1,682	17,381
Succeeding year	824,166	0	103,145	927,311
Income surtax	105,596	0	0	105,596
Accounts	953	0	0	953
Accrued ISCAP interest(Note 4)	4,387	0	0	4,387
Due from other governments	16,623	29,915	0	46,538
TOTAL ASSETS	\$ 1,814,917	116,930	245,937	2,177,784
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 96,508	11,052	0	107,560
Salaries and benefits payable	214,906	0	0	214,906
ISCAP warrants payable(Note 4)	648,000	0	0	648,000
ISCAP accrued interest payable(Note 4)	3,796	0	0	3,796
ISCAP unamortized premium	4,646	0	0	4,646
Deferred revenue:				
Succeeding year property tax	824,166	0	103,145	927,311
Income surtax	105,596	0	0	105,596
Total liabilities	1,897,618	11,052	103,145	2,011,815
Fund balances:				
Reserved for:				
Salary improvement program	614	0	0	614
Additional teacher contract day	1	0	0	1
Additional salary, professional development	3	0	0	3
Talented and gifted	248	0	0	248
Phase III	136	0	0	136
Unreserved:				
General	(83,703)	0	0	(83,703)
Capital projects	0	105,878	0	105,878
Management	0	0	63,436	63,436
Physical plant and equipment levy	0	0	59,821	59,821
Other special revenue purposes	0	0	19,535	19,535
Total fund balances	(82,701)	105,878	142,792	165,969
TOTAL LIABILITIES AND FUND BALANCES	\$ 1,814,917	116,930	245,937	2,177,784

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

ANDREW COMMUNITY SCHOOL DISTRICT
 RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS
 TO THE STATEMENT OF NET ASSETS
 JUNE 30, 2006

Total fund balances of governmental funds (page 15)	\$ 165,969
<i>Amounts reported for governmental activities in the statement of net assets are different because:</i>	
Capital assets used in governmental activities are not financial resources and, therefore, are not report as assets in in the governmental funds.	495,105
Accounts receivable income surtax, is not yet available to finance expenditures of the current fiscal period.	105,596
Blending of the Internal Service Funds to be reflected on an entity-wide basis.	<u>192,509</u>
Net assets of governmental activites (page 13)	<u><u>\$ 959,179</u></u>

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

ANDREW COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2006

	General	Capital Projects	Nonmajor Special Revenue Funds	Total
Revenues:				
Local sources:				
Local tax	\$ 896,618	170,919	83,453	1,150,990
Tuition	180,403	0	0	180,403
Other	68,405	4,336	133,163	205,904
State sources	1,488,859	0	60	1,488,919
Federal sources	100,566	0	0	100,566
Total revenues	2,734,851	175,255	216,676	3,126,782
Expenditures:				
Current:				
Instruction:				
Regular instruction	1,303,552	0	2,746	1,306,298
Special instruction	435,141	0	776	435,917
Other instruction	173,647	0	123,949	297,596
	1,912,340	0	127,471	2,039,811
Support services:				
Student services	52,323	0	970	53,293
Instructional staff services	59,664	0	118	59,782
Administration services	342,435	0	10,045	352,480
Operation and maintenance of plant services	156,161	0	13,546	169,707
Transportation services	168,649	0	66,335	234,984
	779,232	0	91,014	870,246
Non-instructional programs:				
Food service operations	0	0	1,650	1,650
Other expenditures:				
Facilities acquisitions	0	155,083	3,135	158,218
AEA flowthrough	98,400	0	0	98,400
	98,400	155,083	3,135	256,618
Total expenditures	2,789,972	155,083	223,270	3,168,325
Excess(deficiency) of revenues over(under) expenditures	(55,121)	20,172	(6,594)	(41,543)
Other financing uses:				
Transfers out	(5,788)	0	0	(5,788)
Total other financing uses	(5,788)	0	0	(5,788)
Net change in fund balances	(60,909)	20,172	(6,594)	(47,331)
Fund balance beginning of year	(21,792)	85,706	149,386	213,300
Fund balance end of year	\$ (82,701)	105,878	142,792	165,969

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

ANDREW COMMUNITY SCHOOL DISTRICT
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
 TO THE STATEMENT OF ACTIVITIES
 JUNE 30, 2006

Net change in fund balances - total governmental funds(page 17) \$ (47,331)

*Amounts reported for governmental activities in the
 statement of activities are different because:*

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are reported in the Statement of Net Assets and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. The amounts of capital outlays, depreciation expense and loss on disposal of capital assets in the year are as follows:

Capital outlays	\$ 205,402	
Depreciation expense	(111,260)	
Loss on disposal of capital assets	<u>(1,360)</u>	92,782

Income surtax accounts receivable is not available to finance expenditures of the current year period in the governmental funds.		9,681
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Net change in the Internal Service Funds charged back against expenditures made for self-funded insurance at an entity-wide basis.		<u>67,928</u>
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Changes in net assets of governmental activities(page 14)	\$ <u><u>123,060</u></u>
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SEE NOTES TO BASIC FINANCIAL STATEMENTS.

ANDREW COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2006

	Business-Type Activities:	
	Enterprise Fund	Governmental Activities:
	School Nutrition	Internal Service
Assets		
Cash and pooled investments	\$ 3,490	217,135
Inventories	1,574	0
Capital assets, net of accumulated depreciation (Note 5)	55,966	0
Total current assets	61,030	217,135
Liabilities		
Unearned revenue	1,769	0
Incurred but not reported claims	0	24,626
Total liabilities	1,769	24,626
Net Assets		
Investment in capital assets, net of related debt	55,966	0
Unrestricted	3,295	192,509
Total net assets	\$ 59,261	192,509

SEE NOTES TO FINANCIAL STATEMENTS.

ANDREW COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2006

	Business-Type Activities:	
	Enterprise Fund	Governmental Activities:
	School Nutrition	Internal Service
Operating revenues:		
Local sources:		
Charges for services	\$ 62,119	373,245
Total operating revenues	62,119	373,245
Operating expenses:		
Support services:		
Administrative services:		
Services	0	305,317
Non-instructional programs:		
Food service operations:		
Salaries	45,936	0
Benefits	23,801	0
Services	497	0
Supplies	49,403	0
Depreciation	5,670	0
	125,307	0
Total operating expenses	125,307	305,317
Operating income(loss)	(63,188)	67,928
Non-operating revenues:		
State sources	1,619	0
Federal sources	50,175	0
Interest income	42	0
Total non-operating revenues	51,836	0
Change in net assets before other financing sources	(11,352)	67,928
Other financing sources:		
Transfer in	5,788	0
Total other financing sources	5,788	0
Change in net assets	(5,564)	67,928
Net assets beginning of year	64,825	124,581
Net assets end of year	\$ 59,261	192,509

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

ANDREW COMMUNITY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2006

	Business-Type Activities: Enterprise Fund School Nutrition	Governmental Activities: Internal Service Fund
Cash flows from operating activities:		
Cash received from sale of lunches and breakfasts	\$ 60,782	0
Cash received from miscellaneous operating activities	1,062	373,245
Cash payments to employees for services	(69,737)	0
Cash payments to suppliers for goods or services	(41,541)	(313,787)
Net cash provided by(used in) operating activities	(49,434)	59,458
Cash flows from non-capital financing activities:		
Transfer from General Fund	5,788	0
State grants received	1,619	0
Federal grants received	42,042	0
Net cash provided by non-capital financing activities	49,449	0
Cash flows from investing activities:		
Interest on investments	42	0
Net cash provided by investing activities	42	0
Net increase in cash and cash equivalents	57	59,458
Cash and cash equivalents at beginning of year	3,433	157,677
Cash and cash equivalents at end of year	\$ 3,490	217,135
Reconciliation of operating income(loss) to net cash provided by(used in) operating activities:		
Operating income(loss)	\$ (63,188)	67,928
Adjustments to reconcile operating income(loss) to net cash provided by(used in) operating activities:		
Commodities consumed	8,133	0
Depreciation	5,670	0
Decrease in inventories	226	0
Decrease in incurred but not reported claims	0	(8,470)
Decrease in unearned revenue	(275)	0
Net cash provided by(used in) operating activities	\$ (49,434)	59,458
RECONCILIATION OF CASH AND CASH EQUIVALENTS AT YEAR END TO SPECIFIC ASSETS INCLUDED ON COMBINED BALANCE SHEET:		
Current assets:		
Cash and pooled investments	\$ 3,490	217,135

NON-CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:

During the year ended June 30, 2006, the District received Federal commodities valued at \$8,133.

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

ANDREW COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2006

(1) Summary of Significant Accounting Policies

The Andrew Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve and special education pre-kindergarten. Additionally, the district either operates or sponsors various adult education programs. These courses include remedial education as well as vocational and recreational courses. The geographic area served includes the city of Andrew, Iowa, and the predominate agricultural territory in Jackson County. The district is governed by a Board of Education whose members are elected on a non-partisan basis.

The District's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

A. Reporting Entity

For financial reporting purposes, Andrew Community School District has included all funds, organizations, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the District. The Andrew Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations - The District participates in a jointly governed organization that provides services to the District but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the Jackson County Assessors' Conference Board.

B. Basis of Presentation

Government-wide Financial Statements - The statement of net assets and the statement of activities report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues,

are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of net assets presents the District's nonfiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

Investment in capital assets, net of related debt consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt that are attributed to the acquisition, construction, or improvement of those assets.

Restricted net assets result when constraints placed on net assets use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net asset consist of net assets that do not meet the definition of the two preceding categories. Unrestricted net assets often have constraints on resources that are imposed by management, but can be removed or modified.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest that are restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements - Separate financial statements are provided for governmental, proprietary, and fiduciary funds, even though the latter are excluded from the Government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as other nonmajor governmental funds.

The District reports the following major governmental funds:

The General Fund is the general operating fund of the District. All general tax revenues and other receipts that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenses, including instructional, support and other costs.

The Capital Projects Fund is used to account for all resources used in the acquisition of capital facilities.

The District reports the following proprietary funds:

The District's proprietary funds are the Enterprise, School Nutrition Fund and the Internal Service Fund. The School Nutrition Fund is used to account for the food service operations of the District. The Internal Service Fund is used to account for the self-funded health insurance plan

of the District. The Internal Service Fund is charged back to the Governmental Funds and shown combined in the Statement of Net Assets and Statement of Activities. This chargeback is based upon a percentage of total employees by the participants' various functional areas.

C. Measurement Focus and Basis of Accounting

The government-wide and proprietary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments, and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, and then general revenues.

The proprietary fund of the District applies all applicable GASB pronouncements as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's enterprise fund is charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

The District maintains its financial records on the cash basis. The financial statements of the District are prepared by making memorandum adjusting entries to the cash basis financial records.

D. Assets, Liabilities and Fund Equity

The following accounting policies are followed in preparing the balance sheet:

Cash, Pooled Investments and Cash Equivalents - The cash balances of most District funds are pooled and invested. Investments are stated at fair value except for the investment in the Iowa Schools Joint Investment Trust which is valued at amortized cost and non-negotiable certificates of deposit which are stated at cost.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, they have a maturity date no longer than three months.

Property Tax Receivable - Property tax in the governmental funds are accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the Board of Education. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the Government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2004 assessed property valuations; is for the tax accrual period July 1, 2005 through June 30, 2006 and

reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2005.

Due from Other Governments - Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories - Inventories are valued at cost using the first-in, first-out method for purchased items and government commodities. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased or received.

Capital Assets - Capital assets, which include property, machinery and equipment, are reported in the applicable governmental or business-type activities columns in the government-wide statement of net assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

Asset Class	Amount
Land	\$ 2,000
Buildings	2,000
Land improvements	2,000
Machinery and equipment:	
School Nutrition Fund equipment	500
Other machinery and equipment	2,000

Property, machinery and equipment are depreciated using the straight line method of depreciation over the following estimated useful lives:

Asset Class	Estimated Useful Lives (In Years)
Buildings	20-50 years
Land improvements	20 years
Machinery and equipment	5-20 years

Salaries and Benefits Payable- Payroll and related expenditures for teachers with annual contracts corresponding to the current school year, which is payable in July and August, have been accrued as liabilities.

Deferred Revenue - Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represent the amount of assets that have been recognized, but the related revenue has not been recognized

since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of unspent grant proceeds as well as property tax receivables and other receivables not collected within sixty days after year end.

Deferred revenue on the statement of net assets consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

Unearned Revenue - Unearned revenues are monies collected for lunches that have not yet been served. The lunch account balances will either be reimbursed or served lunches. The lunch account balances are reflected on the Statement of Net Assets in the Proprietary, School Nutrition Fund.

Fund Equity - In the governmental fund financial statements, reservations of fund balance are reported for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

Restricted Net Assets - In the government-wide statement of net assets, net assets are reported as restricted when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

E. Budgeting and Budgetary Control

The budgetary comparison and related disclosures are reported as Required Supplementary Information.

(2) **Cash and Pooled Investments**

The District's deposits in bank at June 30, 2006 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

At June 30, 2006, the district had investments in the Iowa Schools Joint Investment Trust as follows:

	Amortized Cost
Diversified Portfolio	\$ 407,482

The investments are valued at an amortized cost pursuant to Rule 2a-7 under the Investment Company Act of 1940.

Credit risk. The investments in the Iowa Schools Joint Investment Trust were both rated Aaa by Moody's Investors Service.

(3) Transfers

The detail of transfers for the year ended June 30, 2006 is as follows:

Transfer to	Transfer from	Amount
General	Enterprise, School Nutrition	\$ 5,788

Transfers generally move revenues from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

(4) Iowa School Cash Anticipation Program (ISCAP)

The District participates in the Iowa School Cash Anticipation Program (ISCAP). ISCAP is a program of the Iowa Association of School Boards and is designed to provide funds to participating entities during periods of cash deficits. ISCAP is funded by a semiannual issuance of anticipatory warrants, which mature as noted below. The warrant sizing of each school corporation is based on a projection of cash flow needs during the semiannual period. ISCAP accounts are maintained for each participating entity, and monthly statements are provided regarding their cash balance, interest earnings and amounts available for withdrawal for each outstanding series of warrants. Bankers Trust Co. NA is the trustee for the program. A summary of the District's participation in ISCAP at June 30, 2006 is as follows:

Series	Warrant Date	Final Warrant Maturity	Investments	Accrued Interest Receivable	Warrants Payable	Accrued Interest Payable
2005-06B	1/26/06	1/26/07	\$ 209,729	4,251	209,000	3,684
2006-07A	6/28/06	6/28/07	438,390	136	439,000	112
Total			\$ 648,119	4,387	648,000	3,796

The district pledges its state foundation aid payments and General Fund receipts as security for warrants issued. Repayments must be made when General Fund receipts are received. If a balance is outstanding on the last date the funds are available to be drawn, then the district must repay the outstanding withdrawal from its General Fund receipts. In addition, the district must make minimum warrant repayments on the 25th of each month immediately following the final date that the warrant proceeds may be used in an amount equal to 25% of the warrant amount. ISCAP advance activity in the General Fund for the year ended June 30, 2006 is as follows:

Series	Balance Beginning of Year	Advances Received	Advances Repaid	Balance End of Year
2005-06A	\$ 0	175,000	175,000	0

The warrants bear interest and the available proceeds of the warrants are invested at the interest rates shown below:

Series	Interest Rates on Warrants	Interest Rates on Investments
2005-06A	3.500%	3.903%
2005-06B	4.500%	4.772%
2006-07A	4.500%	5.676%

(5) Capital Assets

Capital assets activity for the year ended June 30, 2006 is as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 7,201	0	0	7,201
Total capital assets not being depreciated	7,201	0	0	7,201
Capital assets being depreciated:				
Buildings	1,429,398	81,973	0	1,511,371
Land improvements	58,632	0	0	58,632
Machinery and equipment	1,013,408	123,429	25,996	1,110,841
Total capital assets being depreciated	2,501,438	205,402	25,996	2,680,844
Less accumulated depreciation for:				
Buildings	1,203,736	22,763	0	1,226,499
Land improvements	27,964	3,598	0	31,562
Machinery and equipment	874,616	84,899	24,636	934,879
Total accumulated depreciation	2,106,316	111,260	24,636	2,192,940
Total capital assets being depreciated, net	395,122	94,142	1,360	487,904
Governmental activities capital assets, net	\$ 402,323	94,142	1,360	495,105

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Business-type activities:				
Machinery and equipment	\$ 87,097	0	0	87,097
Less accumulated depreciation	25,461	5,670	0	31,131
Business-type activities capital assets, net	<u>\$ 61,636</u>	<u>(5,670)</u>	<u>0</u>	<u>55,966</u>

Depreciation expense was charged by the District as follows:

Governmental activities:

Instruction:

Regular	\$ 52,456
Special	535
Other	587

Support services:

Administration	1,254
Operation and maintenance of plant	1,799
Transportation	28,268
	<u>84,899</u>

Unallocated depreciation	<u>26,361</u>
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Total governmental activities depreciation expense	<u>\$ 111,260</u>
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Business-type activities:

Food services	\$ 5,670
Total business-type activities depreciation expense	<u>\$ 5,670</u>

(6) Pension and Retirement Benefits

The District contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 3.70% of their annual salary and the District is required to contribute 5.75% of annual covered payroll for the years ended June 30, 2006, 2005 and 2004. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2006, 2005 and 2004 were \$85,597, \$89,227 and \$87,319, respectively, equal to the required contributions for each year.

(7) Risk Management

The district has a self-funded health insurance plan. The District purchases commercial insurance to provide for the aggregate stop-loss coverage for the excess of 110% of estimated claims for the plan year and specific stop-loss reinsurance coverage for the excess of \$20,000 in insured claims for any one

covered individual. Settle claims have not exceeded the commercial coverage in any of the past three years.

Payments are made to the plan based on actuarial estimates of amounts needed to pay prior and current year claims and to establish a reserve for catastrophic losses. That balance was \$192,509 at June 30, 2006. The incurred but not reported and unpaid claims liability of \$24,626 reported in the plan at June 30, 2006 based on the requirements of GASB Statement Number 10, is set up as a liability on the balance sheet.

Andrew Community School District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The District assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

(8) Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$98,400 for the year ended June 30, 2006 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

(9) Deficit Fund Balance

The General Fund had a deficit fund balance of \$82,701 at June 30, 2006.

REQUIRED SUPPLEMENTARY INFORMATION

ANDREW COMMUNITY SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN BALANCES -
BUDGET AND ACTUAL - ALL GOVERNMENTAL FUNDS
AND PROPRIETARY FUNDS
REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2006

	Governmental Fund Types Actual	Proprietary Fund Type Actual	Total Actual	Budgeted Amounts		Final to Actual Variance - Positive (Negative)
				Original	Final	
Revenues:						
Local sources	\$ 1,537,297	62,161	1,599,458	1,484,830	1,484,830	114,628
State sources	1,488,919	1,619	1,490,538	1,503,241	1,503,241	(12,703)
Federal sources	100,566	50,175	150,741	153,000	153,000	(2,259)
Total revenues	3,126,782	113,955	3,240,737	3,141,071	3,141,071	99,666
Expenditures:						
Instruction	2,039,811	0	2,039,811	2,285,891	2,285,891	246,080
Support services	870,246	0	870,246	896,300	896,300	26,054
Non-instructional programs	1,650	125,307	126,957	143,262	143,262	16,305
Other expenditures	256,618	0	256,618	370,316	370,316	113,698
Total expenditures	3,168,325	125,307	3,293,632	3,695,769	3,695,769	402,137
Deficiency of revenues under expenditures	(41,543)	(11,352)	(52,895)	(554,698)	(554,698)	(501,803)
Other financing sources(uses), net	(5,788)	5,788	0	0	0	0
Deficiency of revenues and other financing sources under expenditures and other financing uses	(47,331)	(5,564)	(52,895)	(554,698)	(554,698)	(501,803)
Balance beginning of year	213,300	64,825	278,125	609,064	609,064	(330,939)
Balance end of year	\$ 165,969	59,261	225,230	54,366	54,366	170,864

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

ANDREW COMMUNITY SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING
YEAR ENDED JUNE 30, 2006

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparison for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds, except Private Purpose Trust and Agency Funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on the GAAP basis.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not by fund. The Code of Iowa also provides that District expenditures in the General Fund may not exceed the amount authorized by the school finance formula.

OTHER SUPPLEMENTARY INFORMATION

ANDREW COMMUNITY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR SPECIAL REVENUE FUNDS
 JUNE 30, 2006

	Nonmajor Special Revenue Funds				
	Manage- ment	Student Activity	Physical Plant and Equipment Levy	Expendable Trust	Total Special Revenue Funds
Assets					
Cash and pooled investments	\$ 62,735	17,638	58,840	1,897	141,110
Receivables:					
Property tax:					
Current year delinquent	701	0	981	0	1,682
Succeeding year	40,000	0	63,145	0	103,145
Total assets	\$ 103,436	17,638	122,966	1,897	245,937
Liabilities and fund balances:					
Liabilities:					
Deferred revenue:					
Succeeding year property tax	\$ 40,000	0	63,145	0	103,145
Total liabilities	40,000	0	63,145	0	103,145
Fund balances:					
Unreserved:					
Undesignated	63,436	17,638	59,821	1,897	142,792
Total fund balances	63,436	17,638	59,821	1,897	142,792
Total liabilities and fund balances	\$ 103,436	17,638	122,966	1,897	245,937

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

ANDREW COMMUNITY SCHOOL DISTRICT
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 YEAR ENDED JUNE 30, 2006

	Nonmajor Special Revenue Funds				
	Manage- ment	Student Activity	Physical Plant and Equipment Levy	Expendable Trust	Total Special Revenue Funds
Revenues:					
Local sources:					
Local tax	\$ 34,781	0	48,672	0	83,453
Other	4,212	126,289	157	2,505	133,163
State sources	25	0	35	0	60
Total revenues	39,018	126,289	48,864	2,505	216,676
Expenditures:					
Current:					
Instruction:					
Regular instruction	2,746	0	0	0	2,746
Special instruction	776	0	0	0	776
Other instruction	348	120,904	0	2,697	123,949
Support services:					
Student support services	970	0	0	0	970
Instructional staff	118	0	0	0	118
Administration services	10,045	0	0	0	10,045
Operation and maintenance of plant services	13,546	0	0	0	13,546
Student transportation	8,135	0	58,200	0	66,335
Non-instructional programs:					
Food service operations	1,650	0	0	0	1,650
Other expenditures:					
Facilities acquisitions	0	0	3,135	0	3,135
Total expenditures	38,334	120,904	61,335	2,697	223,270
Net change in fund balances	684	5,385	(12,471)	(192)	(6,594)
FUND BALANCE BEGINNING OF YEAR	62,752	12,253	72,292	2,089	149,386
FUND BALANCE END OF YEAR	\$ 63,436	17,638	59,821	1,897	142,792

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

ANDREW COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS
 YEAR ENDED JUNE 30, 2006

Account	Balance Beginning of Year	Revenues	Expendi- tures	Balance End of Year
General Athletics	\$ 3,827	12,825	16,652	0
Athletic Store	(830)	1,469	1,276	(637)
Girls Fundraiser	242	0	150	92
Boys Fundraising	358	0	1,319	(961)
Uniforms	90	0	0	90
Football	(2,868)	1,150	1,250	(2,968)
Extra Curricular	76	35,891	27,414	8,553
Cross Country	(554)	261	(293)	0
Boys Basketball	(3,976)	1,638	321	(2,659)
Baseball	(3,501)	59	1,118	(4,560)
Boys Track	(1,361)	196	(1,165)	0
Girls Basketball	(3,957)	766	214	(3,405)
Volleyball	(1,617)	1,425	(192)	0
Golf	434	287	721	0
Softball	(4,131)	266	(947)	(2,918)
Girls Track	(1,100)	81	(1,019)	0
General Music	6,690	7,251	5,353	8,588
Music Store	223	177	243	157
Media Center	2,549	3,066	5,393	222
Library Club	51	103	10	144
Hawk Club	300	0	0	300
Art Club	(456)	330	330	(456)
Yearbook	(2,087)	3,704	3,557	(1,940)
Concession Stand	5,415	12,062	17,477	0
Cheerleaders	(296)	897	1,048	(447)
FFA	(490)	8	34	(516)
Student Council	13,809	13,109	12,693	14,225
Spanish Club	338	0	0	338
Thespians	2,474	2,263	2,008	2,729
German Club	131	0	0	131
Foreign Language Travel	960	3,352	3,726	586
Class of 2008	0	56	0	56
Class of 2007	(71)	6,223	5,208	944
Class of 2006	986	0	807	179
Class of 2005	502	0	502	0
Class of 2004	459	0	459	0
Interest	112	532	0	644
Petty Cash	110	0	0	110
Embroidery Fund	115	0	0	115
General Activity	578	7,943	7,655	866
D.A.R.E. program	(173)	0	0	(173)
Graduation Fees	(1,939)	836	(131)	(972)
Elementary Store	(243)	8,063	7,281	539
Trophy Case	642	0	0	642
Stage Curtain Fundraiser	432	0	432	0
Total	\$ 12,253	126,289	120,904	17,638

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

ANDREW COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION
 ALL GOVERNMENTAL FUND TYPES
 FOR THE LAST FOUR YEARS

		Modified Accrual Basis			
		Years Ended June 30,			
		2006	2005	2004	2003
Revenues:					
Local sources:					
Local tax	\$	1,150,990	1,094,923	1,119,831	1,025,490
Tuition		180,403	187,982	147,485	152,751
Other		205,904	129,851	148,565	32,134
State sources		1,488,919	1,470,942	1,418,215	1,460,046
Federal sources		100,566	115,315	105,804	79,153
Total	\$	3,126,782	2,999,013	2,939,900	2,749,574
Expenditures:					
Current:					
Instruction:					
Regular instruction	\$	1,306,298	1,411,343	1,228,494	1,212,473
Special instruction		435,917	479,930	472,931	427,430
Other instruction		297,596	298,307	242,616	128,408
Support services:					
Student services		53,293	81,796	91,044	87,043
Instructional staff services		59,782	65,819	58,820	62,376
Administration services		352,480	318,940	298,996	252,073
Operation and maintenance of plant services		169,707	159,688	147,541	117,782
Transportation services		234,984	177,090	196,699	134,521
Other support services		0	0	795	880
Non-instructional programs		1,650	17,847	6,359	3,645
Other expenditures:					
Facilities acquisitions		158,218	286,517	61,310	0
AEA flow-through		98,400	97,695	99,633	107,000
Total	\$	3,168,325	3,394,972	2,905,238	2,533,631

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

NOLTE, CORNMAN & JOHNSON P.C.
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(a professional corporation)
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Telephone (641) 792-1910

Independent Auditor's Report on Internal Control over financial Reporting and
on Compliance and Other Matters
Based on an Audit of Financial Statements performed in Accordance with
Government Auditing Standards

To the Board of Education of the
Andrew Community School District:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Andrew Community School District as of and for the year ended June 30, 2006, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated September 8, 2006. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Andrew Community School District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the District's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in Part I of the accompanying Schedule of Findings.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we believe item I-A-06 is a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Andrew Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance that are described in the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2006, are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Andrew School District and other parties to whom Andrew School District may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Andrew Community School District during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.


NOLTE, CORNMAN & JOHNSON, P.C.

September 8, 2006

ANDREW COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2006

Part I: Findings Related to the Basic Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

REPORTABLE CONDITIONS:

- I-A-06 Segregation of Duties - One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. Cash receipts are issued and bank deposits are prepared by the same person. An independent person does not open the mail and prepare an initial listing of the checks received and later compare the listing to the receipts issued. Also, vouchers are processed, disbursements are recorded, and checks are prepared by the same person.

Recommendation - We realize segregation of duties is difficult with a limited number of office employees. However, the District should review its procedures to obtain the maximum internal control possible under the circumstances.

Response - The District will continue to review our procedures and implement additional controls where possible.

Conclusion - Response accepted.

- I-B-06 Authorized Check Signatures - According to District policy, the Vice President of the Board can sign checks in the absence of the Board President. We noted during our audit that some checks written from the Physical Plant and Equipment Levy Fund and the Capital Project Fund only have the signature, the Board Secretary.

Recommendation - The Board President or designated individual, and the Board Secretary are required to sign all checks written by the District to be in compliance with Chapter 291.1 of the Code of Iowa.

Response - The District will implement procedures so the Board President and Board Secretary's signatures are on all checks by ordering new checks.

Conclusion - Response accepted.

- I-C-06 Supporting Documentation - We noted during our audit one instance of no supporting documentation to go with the cancelled check stubs and purchase orders.

Recommendation - The District should review their procedures that are in place to ensure that all bills are supported, approved and paid from an invoice with a purchase order. The District should adopt processes and procedures to use when an invoice may not be available, such as requiring additional approval or requiring support document other than an invoice.

Response - The District will review our procedures for supporting documentation to go with cancelled check stubs and purchase orders.

Conclusion - Response accepted.

I-D-06 Student Activity Fund - During our audit issues arose about the properness of certain accounts or certain receipts and expenditures collected/paid from the Student Activity Fund. Inappropriate expenditures would include any expenditure more appropriate to other funds. The student activity fund shall not be used as a clearing account for any other fund. This is not an appropriate fund to use for public tax funds, trust funds, state and federal grants or aids, textbook/library book fines, fees, rents, or sales, textbook/library book purchases, sales of school supplies, curricular activities, or any other revenues or expenditures more properly included in another fund. Moneys in this fund shall be used to support only the cocurricular program defined in department of education administrative rules (298A.8). Fundraisers and donations made to the school should be recorded in the fund in which they could be expended.

Recommendation - The purpose of the Student Activity Fund is to account for financial transactions related to the cocurricular and extracurricular activities offered as a part of the education program for the students established under Iowa Administrative Code 281-12.6(1). More specific examples of these instances of questioned items and recommendations are as follows:

Donations from Target and MSB were recorded in the Student Activity Fund. These donations do not specify the purpose, other than instructional supplies; therefore, they should be receipted into the General fund for use in all instructional supplies/services.

There are Interest accounts. These accounts should be allocated among the Student Activity Funds that earned the interest. This allocation should be done at least annually. Interest earned should be distributed to individual accounts within the Student Activity Fund.

Graduation fees and PE lock fees were recorded in the Student Activity Fund. These fees should be receipted into the General fund.

There is a Petty Cash activity account. This account should be allocated to the Student Activity account funding the petty cash. If no group is funding this account, the petty cash should be closed. Otherwise, the balance can remain upon being moved to the appropriate account.

There is a Library Club account. These receipts and expenditures appear to be more instructional in nature; therefore, they should be moved to the General Fund.

There are several accounts without activity during the year. These accounts include Uniforms, Hawk Club, German Club, Petty Cash, Embroidery Fund, DARE Program and Trophy Case. These accounts should be reviewed and determined if needed to be closed to other accounts or transferred out of the Student Activity Fund.

The District should review the propriety of receipts and expenditures that are recorded in the Student Activity Fund. It would appear that some of the accounts appear to be more administratively maintained in nature, rather than maintained by a club or organization. Therefore, they need to be corrected or transferred to the proper fund where these monies can be receipted and expended.

Response - The District will review the accounts and various transactions noted in the Activity Fund and will implement the needed corrections.

Conclusion - Response accepted.

I-E-06 Timely Deposits - We noted during our audit that deposits for the General Fund were prepared but may not be taken to the bank for deposit until several days later.

Recommendation - All receipts should be deposited when received. The district should review procedures to ensure that the deposits are made timely.

Response - The District will make deposits on a more timely basis.

Conclusion - Response accepted.

I-F-06 Payroll Procedures - We noted during our audit that the District is not keeping track of hours worked for coaches who are non-certified staff.

Recommendation - In order to comply with the Department of Labor requirements on wage per hour contracts, the District needs to keep track of the hours worked for non-certified staff coaches. The District should also review its payroll procedures to ensure that supporting documentation is kept for all employees who receive checks.

Response - The District will implement procedures for non-teaching coaches to keep track of hours worked.

Conclusion - Response accepted.

I-G-06 Board Policies - We noted during our audit that the District is not current in reviewing the board policy book. The District is required to have policies in the policy book updated every five years.

Recommendation - The District needs to review the board policy book for policies that have not been reviewed within the past five years. The District may need to contact the Department of Education or IASB for guidance on policies that have changed. The District needs to review the board policies and have an updated policy book.

Response - The District will review the Board Policy Book and review the policies as needed.

Conclusion - Response accepted.

I-H-06 Capital Assets - We noted during our audit that the District maintains a capital asset listing. However, the listing of capital assets includes desks, chairs, computers, library books and textbooks that are less than the \$2,000 capitalization threshold for equipment. The District needs to evaluate the capital asset listing and restate the capital assets to comply with the District's board policy and procedure.

Recommendation - The District needs to review the board policy on capitalization and adjust the capital asset listing to agree with the policy. The District needs to review the listing of assets and make necessary restatements in the next fiscal year to clear items under the capitalization threshold. The District is required to maintain the capital asset listing. Additions and deletions are not enough. The District needs to be aware of depreciation, accumulated depreciation and class life. Additional staff and staff training would be beneficial to the District in accounting for capital assets.

Response - The District will evaluate the capital asset listing and restate the capital assets to comply with the board policy and procedure.

Conclusion - Response accepted.

I-I-06 Supporting Documents for Payments with Credit Cards - Payments made with credit cards do not always have detailed supporting documentation.

Recommendation - The District has a policy in place for credit card usage. The users of the credit cards need to provide detailed receipts for purchases made. The District should review procedures in place to ensure the proper detailed documentation will be available with paid credit card statements.

Response - The District will follow the Credit Card Usage policy that we have in place and provide the detailed receipts for purchases made.

Conclusion - Response accepted.

I-J-06 Photo Image Checks - We noted during our audit that District receives their checks from the bank as photo images showing only the front of the checks. Per Chapter 544D.114 of the Code of Iowa, the District is required to have retained both the front and back of check images.

Recommendation - The District should contact the bank to rectify the situation. The District should receive the photo images showing both the front and back of the checks or the original issued check.

Response - The District will contact our bank so they will provide us with the photo image showing both the front and the back of the checks.

Conclusion - Response accepted.

ANDREW COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2006

Part II: Other Findings Related to Statutory Reporting

- II-A-06 Certified Budget - District disbursements for the year ended June 30, 2006, did not exceed the amount budgeted.
- II-B-06 Questionable Disbursements - We noted no disbursements that may not meet the requirements for public purpose as defined in an Attorney General's opinion dated April 25, 1979.
- II-C-06 Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.
- II-D-06 Business Transactions - No business transactions between the District and District officials were noted.
- II-E-06 Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.
- II-F-06 Board Minutes - We noted no transactions requiring Board approval which have not been approved by the Board.
- II-G-06 Certified Enrollment - We noted no variances in the basic enrollment data certified to the Department of Education.
- II-H-06 Deposits and Investments - We noted no instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy.
- II-I-06 Certified Annual Report - The Certified Annual Report was filed with the Department of Education timely, and we noted no significant deficiencies in the amounts reported.
- II-J-06 Deficit Balances - We noted during our audit that several student activity accounts had deficit balances at June 30, 2006. The General Fund also had a deficit fund balance of \$82,701.

Recommendation - The District should continue to investigate alternatives to eliminate deficits in order to return these accounts to a sound financial condition. The District should consider a workout plan for the deficit accounts.

Response - The District will continue to investigate alternatives to eliminate deficits in accounts in the General and Activity Fund.

Conclusion - Response accepted.